

NEW IMPERIAL MINES LTD.

Loeffs 1966
Annual Report





NEW IMPERIAL MINES LTD.

OFFICERS	ARNOLD PITT, <i>President</i> ROBERT W. MACAULAY, <i>Vice-President</i> G. CLINTON SNELL, <i>Vice-President</i> DAVID B. FINLAY, <i>Secretary</i> RAYMOND O. HAMPTON, <i>Treasurer and Comptroller</i>
DIRECTORS	KENJIRO KAWAKAMI ERIC G. LAMBERT ROBERT W. MACAULAY YOSHIYUKI MARUO TOSHIO MIZUTA ARNOLD PITT PATRICK M. REYNOLDS J. AUBREY SIMMONS G. CLINTON SNELL
TRANSFER AGENT AND REGISTRAR	CANADA PERMANENT TRUST COMPANY Toronto, Ont.; Montreal, P.Q.; Vancouver, B.C.; Calgary, Alta.
BANKERS	TORONTO-DOMINION BANK, Toronto, Ont. BANK OF MONTREAL, Whitehorse, Y.T. TORONTO-DOMINION BANK, Vancouver, B.C.
SOLICITORS	THOMSON, ROGERS, Toronto, Ont.
AUDITORS	MCDONALD, CURRIE & Co., Toronto, Ont.
COMPANY OFFICES	EXECUTIVE OFFICE: Suite 801, 85 Richmond St. West, Toronto, Ont. VANCOUVER OFFICE: Marine Building, 355 Burrard St., Vancouver, B.C. MINE OFFICE: Box 2380, Whitehorse, Yukon Territory
SHARES LISTED	Toronto Stock Exchange Vancouver Stock Exchange

PHOTO: Aerial photo enlargement of New Imperial's surface plant is spread over the inside front and inside back covers. Lift inside pages perpendicular to cover to view the photo.

NEW IMPERIAL MINES LTD.

REPORT OF THE DIRECTORS

To the Shareholders:

Copper concentrates from your company's Whitehorse mine are now being processed for markets.

This fact today represents what is obviously the most important achievement of your company during the past year. It is the realization of an aim that for more than four years has demanded faith, persistence and great effort from your directors, your management, its consultants and associates.

Last month-end, within a few weeks of the originally-scheduled target date, start-up of the mine and mill was effected with three shifts operating on a continuous basis at the concentrator. This month, adjustments and refinements are continuing normally as the treatment rate climbs steadily toward capacity level. The report of the general manager, Whitehorse operations, describes this in greater detail.

In bringing your mine to production status, shareholders will be pleased to learn that costs which exceeded the feasibility study estimate (made nearly two years ago) have been fully provided for by a contingency allowance. The over-run expenditures pertain to the expansion of mill capacity from 2,000 tons to 2,500 tons, and to price increases on supplies, materials and equipment during the past 12 months — increases which could not be controlled within contracted tenders.

When the board of directors made its decision in 1965 to commence preproduction development, reserves established at that time and available by open pit mining were sufficient for a minimum of seven years production. It was late in the same year, however, that the presence of deep reserves — a continuation to depth of the Little Chief deposit — first became evident.



Arnold Pitt, President

Your directors decided to undertake a limited program of deep drilling to gain as much information as possible about the reserves at depth before the treatment plant design and capacities were fully set and established in the present milling facilities.

This effort, with the co-operation of the Sumitomo Metal Mining Co., Ltd., was aimed at depths below the open pit limits of the Little Chief deposit. It was conducted through 1966 and the results have been highly gratifying.

The program has to date added more than 3.5 million tons of reserves, grading approximately 2.14% copper, to this one deposit. It is ore that should be

mined by underground methods. The tonnage disclosed thus far, without knowing ultimate depth, has effectively extended the operating life of the Little Chief deposit to more than six years.

This deep program on the Little Chief deposit is not yet over. Step-out holes, to the north and south, are now being drilled in an effort to increase the underground ore and to provide additional information for a feasibility study on underground mining.

Your directors' faith in the mineral promise of our Copperbelt claims has been reinforced by the deep ore discoveries. Continuing efforts will be made this year to find more ore. This will be greatly aided by the strength and resources for selective exploration that are afforded by an on-site operating staff of geologists, assayers, engineers and supporting personnel, together with company-owned equipment and facilities.

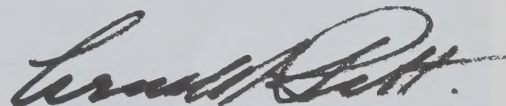
This will be in the immediate future. At the present,

New Imperial Mines is in production with the first open pit copper mine and mill in the Yukon Territory — a new industry for Whitehorse and one whose development has been warmly welcomed and measurably supported by the people of Whitehorse.

To the community, to the Territorial Government and to the many officers of the Department of Indian Affairs and Northern Development who assisted in the making of the New Imperial mine, much credit is expressed. At the same time, your directors place high value on the significant role of the Sumitomo Metal Mining Co., Ltd. in the development of the mine and the marketing arrangements for its product.

Acknowledged and sincerely appreciated are the enthusiasm and diligence of the general manager and his staff, the support of our consultants and the important contributions of the general and sub-contractors, the local utility and transportation companies.

On behalf of the board,

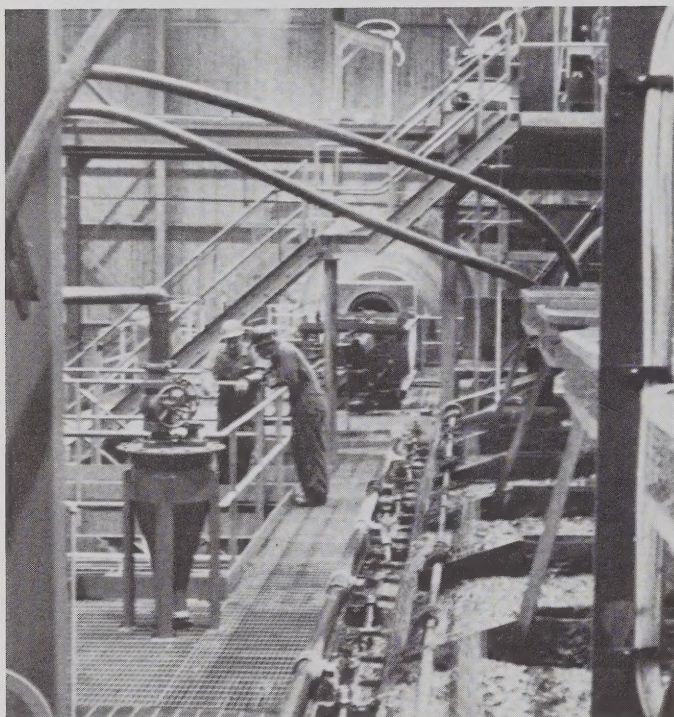
A handwritten signature in dark ink, appearing to read "Arnold Pitt", with a stylized flourish at the end.

ARNOLD PITT,
President

Toronto, Ontario
May 26, 1967

PLANT AND PIT . . .

Waste and ore removal in progress on a section of the Little Chief open pit is shown at right; in the background part of the contractors' camp. Photo below is of one area in the 2,500-tons per day concentrator.



New Imperial's coarse ore stockpile is shown below. In the background is shown the ore crusher house.



NEW IMPERIAL MINES LTD.

REPORT OF THE GENERAL MANAGER

Mr. Arnold Pitt, President,
New Imperial Mines Ltd.,
85 Richmond St. West,
Toronto, Ontario.

Dear Sir,

This report summarizes operations at the company's Whitehorse property to May 1, 1967.

During the past twelve months, the Whitehorse copperbelt has been the scene of great activity. Pre-production plans for the mine have been completed, plant brought to its initial operating stages and a very promising ore reserve outlined under our initial ore body.

Preproduction:

The following work has been completed on schedule by our forces and within the original budget estimate: Clearing, 19.3 acres; Lake drainage and silt removal, 50,900 cu yd; Overburden removal, 39,100 cu yd; Waste rock and ore stockpile, 964,600 tons; Main ore and waste haul roads, Miscellaneous roads, powder magazine, etc.; Crude ore stockpile base.

Plant and facilities construction:

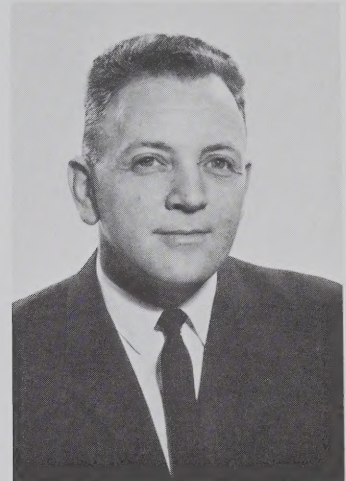
Our plant construction commenced in the field late last June and went into continuous operation May 1 of this year. While it will take a few months to achieve full production and efficiency, the basic plant design seems adequate in all respects.

A crew of 95 persons comprises our present payroll. The concentrator is operating continuously while the open pit crews operate on two shifts, five and one half days each week. The pit crew will be increased as the mill becomes more efficient.

The company owns ten houses in Whitehorse and these are rented to staff employees. Our remaining employees are either local residents or have found independent means of accommodation.

Exploration:

Limited exploration was carried on last summer between our North Star and Arctic Chief deposits. This summer an extensive program of grid line cutting,



R. W. Kenway, General Manager

mapping, geophysics and overburden drilling will be carried on in the northern section of our holdings. This will provide the basis for diamond drill targets in 1968.

In addition, a diamond drill program will be carried out at our Arctic Chief deposit in order to completely delineate it for mining in late 1968. The possibilities of expanding reserves for open pit and for determining probability of deeper ore will be investigated.

Development:

As reported last year, further reserves were anticipated at depth under our Little Chief deposit. Diamond drilling to the end of 1966 has indicated 3,452,000 tons of 2.14% copper. Present drilling is confirming our estimates by closer hole spacing and is also aimed at expanding reserves both to the north and south. No attempt has been made as yet to determine the final depth of the orebody.

Yours truly,

A stylized, handwritten signature in dark ink, appearing to read 'R. Kenway'.

ROSS W. KENWAY,
General Manager

NEW IMPERIAL

BALANCE SHEET AS

ASSETS

	December 31, 1966 \$	March 31, 1966 \$
Current Assets		
Cash	443,204	304,578
Accounts receivable	53,483	
Prepaid expenses	12,530	1,300
	<u>509,217</u>	<u>305,878</u>
Mining Properties – at cost (<i>notes 1 and 2</i>)		
Owned	275,870	21,206
Cash payments made under outstanding option agreements	30,250	99,283
	<u>306,120</u>	<u>120,489</u>
Fixed Assets – at cost (<i>notes 3 and 7</i>)		
Land and buildings	281,000	30,495
Equipment	980,023	81,306
Construction in progress	3,272,910	
	<u>4,533,933</u>	<u>111,801</u>
Deferred Expenditures (<i>note 1</i>)		
Preproduction and development	1,609,291	1,234,843
General and administrative	471,997	305,203
Incorporation and organization	4,375	4,375
	<u>2,085,663</u>	<u>1,544,421</u>
	<u><u>7,434,933</u></u>	<u><u>2,082,589</u></u>

Signed on behalf of the Board

ARNOLD PITT, Director

G. C. SNELL, Director

See accompanying notes to financial statements.

MINES LTD.

DECEMBER 31, 1966

LIABILITIES

	December 31, 1966 \$	March 31, 1966 \$
Current Liabilities		
Accounts payable and accrued liabilities	531,447	115,075
Loan payable	400,000	450,000
Holdbacks payable	332,655	
	1,264,102	565,075
Long Term Debt (notes 4 and 8)		
6% mortgage bonds maturing 1972	3,874,081	
Add: Accrued interest	72,570	
	3,946,651	
Mortgages payable by monthly instalments to 1993 with interest at 6¾ % and 7¾ %	84,217	15,546
	4,030,868	15,546

SHAREHOLDERS' EQUITY

Capital Stock (notes 5 and 6)		
Authorized – 7,500,000 shares of no par value		
Issued and fully paid – 5,968,899 shares	2,754,185	2,104,185
Deficit	614,222	602,217
	2,139,963	1,501,968
	7,434,933	2,082,589

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of New Imperial Mines Ltd. as at December 31, 1966, and the statements of deficit and source and use of funds for the period ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of deficit and source and use of funds, when read in conjunction with the notes and schedules thereto, present fairly the financial position of the company as at December 31, 1966, and the results of its operations for the period ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
February 21, 1967

McDONALD, CURRIE & CO.
Chartered Accountants

NEW IMPERIAL MINES LTD.

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSE

For the period from April 1, 1966 to December 31, 1966

	Balance March 31, 1966 \$	Expenditure during period \$	Balance December 31, 1966 \$
Management salaries	49,226	15,663	64,889
Travelling and subsistence	41,782	10,674	52,456
Salaries and wages	17,839	7,154	24,993
Postage, printing and stationery	10,431	1,545	11,976
Public relations	18,236	10,636	28,872
Rent	7,889	2,540	10,429
Telephone and telegraph	16,833	7,762	24,595
Registration and transfer fees	23,258	9,514	32,772
Underwriting expense	18,236		18,236
Professional fees	23,515	16,556	40,071
Bank charges	621	298	919
Wage assessments	385	523	908
Legal	56,994	56,245	113,239
Interest	4,034	11,505	15,539
General office expense	3,850	3,834	7,684
Automotive	1,623	330	1,953
Business taxes	298	247	545
Licence fees and registration	2,660		2,660
Secretarial fees	9,150		9,150
Shareholders' meeting expense	7,377	5,263	12,640
Miscellaneous	6,568		6,568
Stock exchange fees		6,914	6,914
	<u>320,805</u>	<u>167,203</u>	<u>488,008</u>
Sundry recoveries	6,077		6,077
Interest earned	9,525	409	9,934
	<u>15,602</u>	<u>409</u>	<u>16,011</u>
	<u>305,203</u>	<u>166,794</u>	
BALANCE - DECEMBER 31, 1966			<u>471,997</u>

NEW IMPERIAL MINES LTD.

SCHEDULE OF PREPRODUCTION AND DEVELOPMENT EXPENSE

For the period from April 1, 1966 to December 31, 1966

	Balance March 31, 1966 \$	Expenditure during period \$	Balance December 31, 1966 \$
Salaries and wage assessments	175,828	48,226	224,054
Subcontract field work	1,969		1,969
Engineering and geological reports	153,519	8,449	161,968
Assays	15,955	885	16,840
Travelling, transportation and subsistence	14,065	9,550	23,615
Explosives and field supplies	39,913		39,913
Surveys and maps	56,527		56,527
Cookhouse supplies	11,526		11,526
Room and board	1,553		1,553
Licences and permits	1,197		1,197
Equipment rental, repairs and expense	54,282	(3,450)	50,832
Insurance	5,138	1,473	6,611
Storage	406		406
Freight and express	7,780		7,780
Field office expense	15,510	10,140	25,650
Field taxes	368	654	1,022
Recording fees and assessment work	8,458	11,269	19,727
Diamond drilling	643,933	28,926	672,859
Road construction	5,479	31,323	36,802
Rotary drilling	6,432		6,432
Development contracts	6,066		6,066
Legal		2,103	2,103
Building maintenance	9,314		9,314
Miscellaneous	266	1,742	2,008
Personnel and safety		4,098	4,098
Vehicles		2,119	2,119
Interest and exchange		17,225	17,225
Lake drainage		31,305	31,305
Overburden stripping		16,280	16,280
Waste rock stripping		151,496	151,496
Stock pile preparation		6,677	6,677
	<u>1,235,484</u>	<u>380,490</u>	<u>1,615,974</u>
Sundry recoveries	641	6,042	6,683
	<u>1,234,843</u>	<u>374,448</u>	
BALANCE – DECEMBER 31, 1966			<u>1,609,291</u>

NEW IMPERIAL MINES LTD.

STATEMENT OF SOURCE AND USE OF FUNDS

For the period from April 1, 1966 to December 31, 1966

Source of Funds

Proceeds of sale of shares	650,000
Proceeds of sale of fixed assets	995
Proceeds of 6% mortgage bonds	3,874,081
Proceeds of mortgages	66,700
	4,591,776

Use of Funds

Preproduction and development	374,448	
Less: Charges not requiring cash outlay –		
Interest and financing costs	11,395	363,053
General administrative		166,794
Purchase and construction of plant and equipment	4,184,627	
Less: Charges not requiring cash outlay –		
Interest and financing costs	64,425	4,120,202
Purchase of land and buildings		250,505
Option payments		185,631
Mortgage payments		1,279
		5,087,464

Decrease in Working Capital	495,688
Working Capital Deficiency – Beginning of Period	259,197

Working Capital Deficiency – End of Period	
	754,885

Analysis of Working Capital Deficiency

Current liabilities at December 31	1,264,102
Less: Current assets at December 31	509,217

Working Capital Deficiency – End of Period	
	\$ 754,885

STATEMENT OF DEFICIT

For the period from April 1, 1966 to December 31, 1966

	December 31, 1966	March 31, 1966
	\$	\$
BALANCE – BEGINNING OF PERIOD	602,217	579,925
Loss on disposal of assets	12,005	
Transfer of depreciation from deferred expenditures		21,540
Option payments on properties written-off		752
BALANCE – END OF PERIOD	614,222	602,217

NOTES TO FINANCIAL STATEMENTS

For the period from April 1, 1966 to December 31, 1966

1. VALUES

The amounts shown for mining properties and deferred expenditures represent costs to date and are not intended to reflect present or future values.

2. MINING PROPERTIES

(a) The cost of mining properties consists of the cost of forty-five mining claims for \$271,664 cash and cash payments totalling \$4,206 made to stake an additional 288 claims.

(b) To maintain in good standing the options which the Company holds on various mining properties, the following payments are required to be made:

1967	\$72,750
1968	61,500
1969	50,000
1970	50,000
1971	55,000
1972	15,000
	<u>\$304,250</u>

3. DEPRECIATION

No provision has been made for depreciation of plant and equipment in accordance with the Company's policy of deferring any allowance until the commencement of production.

4. LONG TERM DEBT

(a) 6% Mortgage Bonds

Sumitomo Metal Mining Co., Ltd. of Japan shall loan the Company \$4,347,500 U.S. at 6% per annum interest rate (or applicable bank prime rate, whichever is higher) secured by a Deed of Trust and Mortgage constituting a fixed and floating charge on all properties and assets of the Company now or hereafter acquired. As at December 31, 1966 \$3,874,081 (\$3,600,000 U.S.) had been received by the Company. The loan, together with accrued interest thereon is to be repaid in annual instalments commencing with the end of the third year after commencement of production with the final payment due December 31, 1972. Sumitomo has the option to convert on or before December 30, 1970 \$1,480,000 U.S. of the loan into 1,230,769 shares of the capital stock of the Company at the fixed price of \$1.30 per share.

U.S. funds have been converted at the rate of exchange prevailing at the date proceeds were received.

(b) 7¾% First Mortgage Bonds

The Company has entered into an agreement with The Toronto-Dominion Bank whereby the bank has agreed, subject to the fulfilment of certain terms and conditions, to purchase first mortgage bonds in the amount of \$2,544,000 U.S. No bond will be purchased until the \$4,347,500 U.S. has been fully advanced by Sumitomo. The bonds bear interest at 7¾% per annum and are to be secured by a Deed of Trust and Mortgage constituting a first fixed and floating charge on all properties and assets of

the Company now or hereinafter acquired. The bonds, together with accrued interest, are to be repaid in semi-annual instalments commencing December 31, 1967 with the final payment due June 30, 1969.

(c) OVERRUN AGREEMENT

The Company has arranged to borrow \$500,000 Cdn. as overrun monies in the event that the cost of carrying out the construction of mine and mill facilities exceeds the net proceeds from (a) and (b). This loan will bear interest at 6% per annum (or applicable bank prime rate, whichever is higher) and will be repayable after repayment of the funds advanced under (a) and (b).

5. CAPITAL STOCK

(a) Since incorporation the following shares have been issued for the consideration indicated:

	Shares	Amount
For Cash	5,138,503.5	\$2,240,922
For Services	352,826.0	34,987
For Properties	477,569.5	478,276
	<u>5,968,899.0</u>	<u>\$2,754,185</u>

(b) During the period ended December 31, 1966, the Company issued 500,000 shares for \$650,000 cash.

(c) No dividends shall be paid so long as the bonds issued under notes 4(a) and 4(b) are outstanding.

6. STOCK OPTION OUTSTANDING

An option has been granted to the president of the Company to purchase 150,000 shares of the Company's capital stock on or before October 30, 1967 at \$2.15 per share. The president is required to remain an employee or officer of the Company while exercising the option.

7. COMMITMENTS

At December 31, 1966, commitments amounting to approximately \$1,365,000 were outstanding in connection with capital expenditures.

8. SUBSEQUENT EVENTS

Subsequent to December 31, 1966, the Company has arranged overrun monies in the amount of \$323,750 U.S. These funds will only be taken down if the project costs exceed the available funds set out in Note 4. Repayment together with interest at 7¾% per annum will be made after repayment of the funds acquired under note 4.

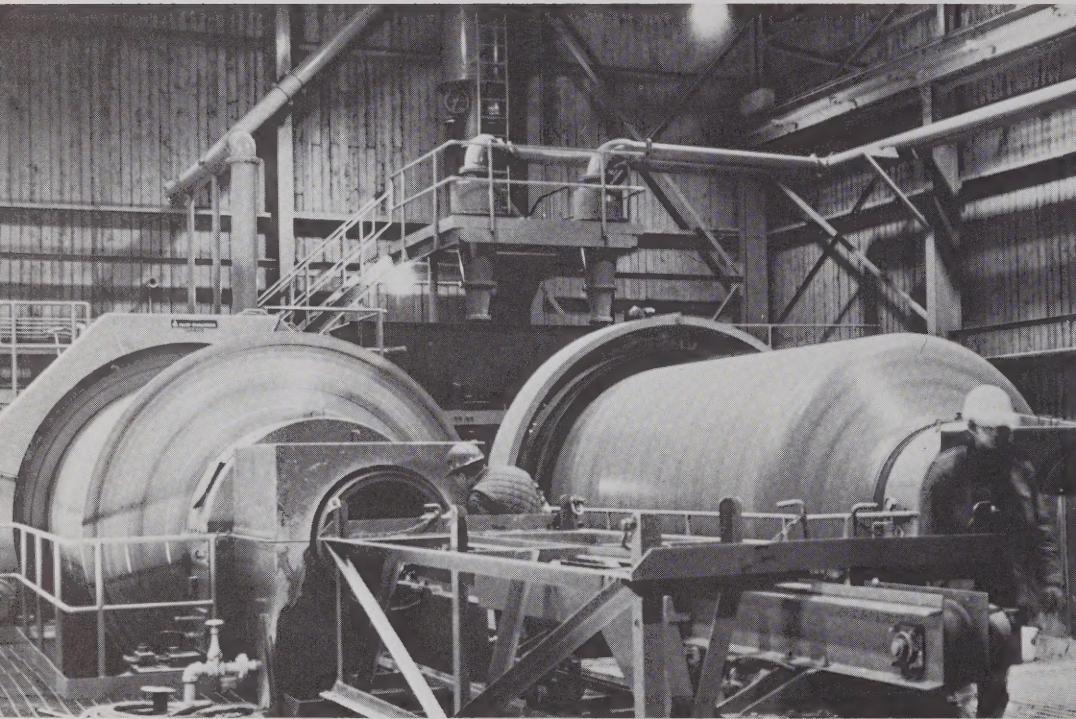
9. CONTINGENT LIABILITY

An action has been commenced against the Company for alleged agency commission. No set sum is claimed and the Company is defending the action on the ground that no sums whatsoever are owed to the Plaintiff.

10. CONCENTRATE SALES CONTRACT

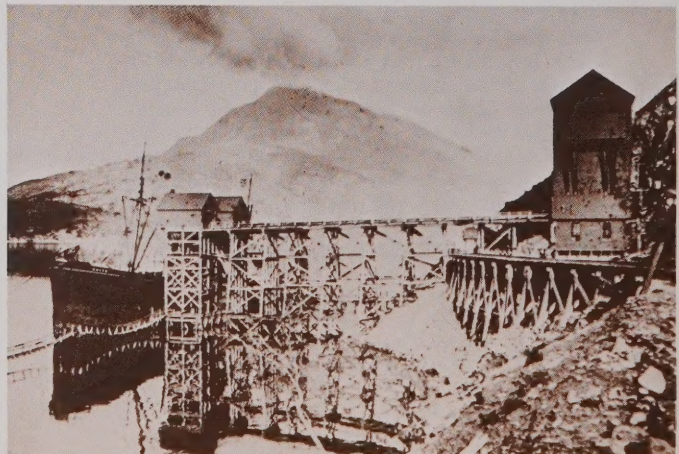
The Company has entered into a ten year contract for the sale of all concentrates produced based on the E & MJ (Engineering & Mining Journal) export refinery prices.

YESTERDAY in the Yukon's mining history was 1896 when, right, the gold fever spurred prospectors from Juneau, in Alaska, toward the Yukon. Here a group of hopefuls starts out.



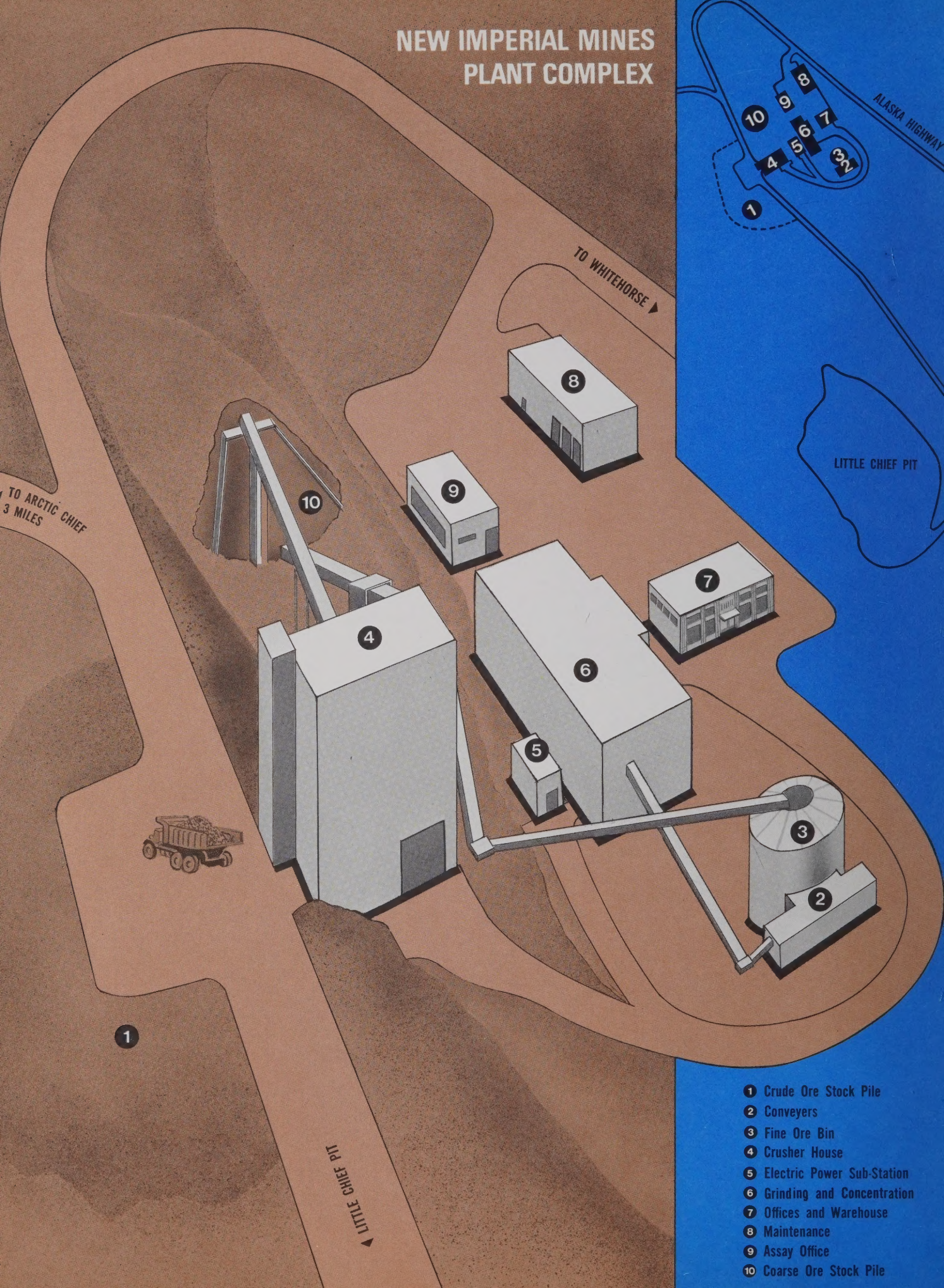
TODAY base metals lure men with modern exploration techniques and mining methods to the Yukon. At left a section of New Imperial's copper mill — the first in the Yukon Territory.

YESTERDAY was also the early 1900s for Yukon mining when highgrade copper ore was brought from the Copperbelt to Skagway's loading facilities (right). Photo: 1905.





NEW IMPERIAL MINES PLANT COMPLEX



- 1 Crude Ore Stock Pile
- 2 Conveyers
- 3 Fine Ore Bin
- 4 Crusher House
- 5 Electric Power Sub-Station
- 6 Grinding and Concentration
- 7 Offices and Warehouse
- 8 Maintenance
- 9 Assay Office
- 10 Coarse Ore Stock Pile